

Message Text

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ORIGIN EA-12

INFO OCT-01 ISO-00 EB-08 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 /101 R

DRAFTED BY EA/TIMBS:ECHEKY:CCH
APPROVED BY EA/TIMBS:REFRITTS
EB/IFD/OIA - MR. BLACK (SUBS)
-----061064 191911Z /45
R 191707Z JAN 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 014922

E.O. 11652: GDS

TAGS: EINV, EFIN, ID

SUBJECT: TIMBER: GOVERNMENT OF INDONESIA PLANS TO
INCREASE TIMBER EXPORT DUTIES

1. DEPARTMENT HAS BEEN APPROACHED BY SENIOR CORPORATE OFFICERS (CITIBANK, ANSOR-SORIANO INTERESTS, WEYERHAUSER ETC.) CONCERNING GOI INTENT INVOKE INCREASED DUTY ON THE EXPORT OF TIMBER. ACCORDING TO CITIBANK WHO IS REPRESENTING THE INTERESTS OF SEVERAL OF ITS CLIENTS (GEORGIA PACIFIC, SORIANO AND WEYERHAUSER), THE DRAFT PROPOSAL INCREASING THE DUTY FROM 10 PERCENT TO 20 PERCENT HAS BEEN PRESENTED TO MIN TRADE RADIUS PRAWIRO FOR APPROVAL. FNCB EXPLAINS THE MOVE IN TERMS OF INDONESIA'S DESIRE TO PRESS THE INDUSTRY INTO BACKWARD INTEGRATION. THERE IS ALSO AN APPARENT CLAUSE CONCERNING UTILIZATION OF FUNDS GENERATED FOR REINVESTMENT FOR INDUSTRIALIZATION OR IN
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REFORESTATION EFFORTS.

2. COMPANIES BELIEVE THIS IS A SUDDEN AND UNJUSTIFIED CHANGE OF THE RULES OF THE GAME WHICH CAN SERIOUSLY AFFECT THEIR COMPETITIVENESS, AND PERHAPS THEIR ABILITY TO CONTINUE OPERATIONS IN INDONESIA. WHEN ASKED WHETHER THE TAX INCREASE WAS A VIOLATION OF AGREEMENTS WITH THE

GOI UNDER WHICH THE COMPANIES OPERATE, CITIBANK REPLIED

AFFIRMATIVELY CONCERNING AT LEAST ONE COMPANY AND PROMISED TO SUPPLY DETAILS.

3. ACTION REQUESTED: DEPT WOULD APPRECIATE INFORMATION EMBASSY MAY HAVE ON THE FACTS OF THE SITUATION, INCLUDING IN PARTICULAR, WHETHER GOI DECISION HAS YET BEEN MADE AND WHETHER USG INTERVENTION IS ADVISABLE OR USEFUL. EMBASSY MAY ALSO WISH DISCUSS SUBJECT WITH LOCAL REPRESENTATIVES OF THE US COMPANIES AND BANKS AFFECTED.

FYI. WE UNDERSTAND GEORGIA PACIFIC IS NOT OVERLY CONCERNED BASED ON STATUS ITS LOCAL PARTNER. END FYI.

US COMPANY REPS ARE PRESENTING ISSUE IN LIGHT SIMILAR TO PERTAMINA RE-NEGOTIATION I.E. UNILATERAL GOI ACTIONS WHICH WILL SEVERELY AFFECT INDONESIAN INVESTMENT CLIMATE.

4. MEETING IS SCHEDULED WITH ANSOR (SORIANO) MONDAY, JAN 23 BUT WE REALIZE EMB CANNOT RESPOND ADEQUATELY BY THAT DATE. WE WILL THUS LISTEN, ASK QUESTIONS AND PERUSE ANY MATERIAL THEY PROVIDE. CHRISTOPHER

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NNN

Message Attributes

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Draft Date: 19 jan 1978
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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